

AR03

Interim
Report
1970



ALL-CAN HOLDINGS LTD.

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ALL-CAN HOLDINGS LTD.

*Incorporated as a Public Company Under the Laws of the
Province of British Columbia*

Officers and Directors

LESLIE A. ALLEN

President

Broadcaster

Toronto, Ontario

L. G. McKENZIE, Q.C.

Director

Partner, Harman & Co.

Barristers & Solicitors

Victoria, B.C.

PROF. JAMES A. BEVERIDGE

Director

Professor,

Motion Pictures, School of Fine Arts,

York University

Toronto, Ontario

HAROLD W. TUPPER

Director

Partner, Shulman, Tupper, Worrall, Laxton & Co.,

Barristers and Solicitors

Vancouver, B.C.

JAMES A. COWAN

Director

Public Relations Counsel

Toronto, Ontario

DORWIN BAIRD

Director

Broadcaster

Vancouver, B.C.

HARRY J. ALLEN, JR.

Secretary

Broadcaster

Toronto, Ontario

Solicitors

Davis & Co.

Vancouver, B.C.



ALL-CAN HOLDINGS LTD.

Head Office: 14th Floor,
1030 West Georgia Street,
Vancouver, B.C.

April 22nd, 1970.

To the Shareholders:

The interim consolidated statements, of profit and loss, retained earnings, and source and application of funds, for the 6 month period ended February 28th 1970, is attached herewith. For your additional information, a summary of the authorized and issued capital stock of the Company, as of this date, is set out herein.

The earnings of the Company in the period covered by the interim report constitute a creditable performance. The effect of the increase in radio time rates, made last autumn, in the wholly owned subsidiary will be reflected significantly in the revenue and profit figures for the last 6 months of the fiscal year ending August 31st, 1970. Broadcasting returns, during the period March to August, in the Company's wholly owned subsidiary, reflect increased business aired over the period that includes the historically poor broadcast months of January and February.

The Company's wholly owned subsidiary has gained unique stability through its acquisition of non-cancellable contracts with clients having an aggregate face value of \$374,900.00 for the period ending October 1st, 1973. A small part of this revenue is reflected in the interim report. The revenue to be received from these contracts will basically cover the operating charges of the subsidiary's AM and FM radio stations under their present power output.

Negotiations are presently being conducted by your Company to acquire licences for AM and FM broadcasting stations located in metropolitan centres of Canada, in the number of six. Agreement in principle has been reached for the acquisition of two AM and one FM radio stations subject to the approvals of the board

of directors of your Company, the boards of directors of the selling companies, the Canadian Radio-Television Commission and the requisite securities authorities.

One of these AM radio stations, on which agreement in principle has been reached, had an operating profit in the fiscal year ending August 31st, 1969, over \$1,500,000.00.

Necessary financing covering acquisitions described herein and an increase in power for the AM radio station of the Company's wholly owned subsidiary as reported to you previously, is to be arranged through the issuance of Class "B" non-voting equity shares.

A lease for a two theatre cinema centre in the Town of Brampton, Ontario, that should be completed by Christmas 1970 is to be submitted to the board of directors for approval, in accordance with my remarks to you on this subject in the annual report dated November 25th, 1969.

This dual cinema centre is the pilot operation which will indicate the feasibility to your board of directors of the advantages of operating such multi cinema centres across Canada to be leased and operated by a wholly owned subsidiary of your Company. Additionally, your Company through the new wholly owned subsidiary plans on securing distribution rights for a number of motion pictures for theatre and television use in English speaking countries including some theatrical motion pictures that are produced in Canada, in Sweden and in Czechoslovakia. Those produced in the latter country have been viewed with great success by the English speaking public at Expo '67 and Expo 70.

The dual cinemas are to be called Allen's Festival and Allen's Churchill.

I am the third generation of a family that has been intimately involved in the motion picture business throughout Canada. I am satisfied that the Festival Cinema showing American and so-called esoteric motion pictures and that the Churchill Cinema exhibiting outstanding British productions, will have more than enough suitable motion picture product from our own and outside sources of supply.

We are not counting on the motion pictures for important returns in the short haul but over a period of time with minimal financial involvement activities of

this kind could fit in successfully and complement other facets of your Company's present and new subsidiaries.

In my first annual report to the shareholders already referred to herein, I also referred to an early application to the CRTC to increase the AM power of your wholly owned subsidiary radio station CHIC to 50,000 watts. This wattage for the station means complete and full coverage of Canada's largest and most lucrative market, namely, Metro Toronto.

In the last annual report I estimated roughly, based on the experience of other 50,000 watt stations in the area, gross revenue of \$3,000,000.00 annually with an after tax profit of \$450,000.00 for CHIC-AM with 50,000 watt power. It is hoped the approval sought from the CRTC will be given during this calendar year.

To be ready for extended programming at the 50,000 watt power, three additional complete recording and broadcasting studio complexes have been built and installed as of April 15th, 1970, within the existing structure owned by your wholly owned subsidiary. The latest electronic equipment available being utilized permits the facilities to handle 50,000 watt power without the necessity of leasing additional space. The additional facilities at the present premises involved a rather large total expenditure, most of which is represented by equipment. The equipment is to be leased and can be purchased if desired at any time in the future. Thus, there is no need for a long term new lease commitment for additional space. The disruptive discomfort of removing production and recording facilities has been avoided. CHIC AM can now programme at the standard required for 50,000 watt power. Its total physical facilities for production and recording are as good as any other 50,000 watt AM radio station.

In the said annual report dated November 25, 1969 reference was made to an investigation of cable television profitability. The study resulting therefrom has confirmed my own personal opinion that such services have a limited future from the standpoint of a profitable return on money invested.

Your Company has been offered major participation in two such cable enterprises. I have not seen fit to recommend financial involvement in same to your board of directors.

Regulations proposed by the Canadian Radio-Television Commission covering cable broadcasting under-

line my opinion. Cable broadcasting will continue to perform a valuable service to the people of Canada but the very large amount of profits projected by outside financial analysts who appear to be dazzled by the large figures resulting from multiplying a number of subscribers by a monthly fee do not in fact result in reasonable enough profits to warrant the required investment of time and money, in my opinion.

In the U.S.A. where mandatory Canadian content programming on cable carrying with it black-outs of certain prime time national attractions are not factors, cable companies, we are informed, are used largely as tax loss activities because of the large expenditures required for "hardware." Profits, if any, have to be long term.

I believe that the Company's opportunity to acquire a UHF television channel centred in Toronto is a much more desirable and profitable venture to be pursued. The announced public withdrawal of one of the applicants for this UHF television channel does not necessarily enhance our chance to secure such a licence but as stated previously there may be more than one channel licenced for the Metro Toronto area. In UHF television I believe that important profits will go to the operators hand-in-hand with a large community contribution.

Creative artists, writers, motion picture, radio and television performers and singers in the U.S.A. and Great Britain have sold to public companies a major interest in the results of their endeavours securing for themselves shares in such public companies. One classic example is that of the Beatles in Great Britain having made such an agreement with at least one public company.

The very large revenues which in the hands of individual creative artists are subject to the high personal income tax rates in arrangements of this sort are directed into the public companies. Participation in the benefits of the returns without the tax incidence remains with the artists through their share holdings.

I have initiated negotiations with a number of prominent Canadian performers, all of whom have an important record of earnings, and with a Canadian music publishing company with a view to making similar arrangements on behalf of your Company. The benefits of such arrangements to your Company are

clear. This type of arrangement would be breaking new ground for Canadian public companies. Any agreements concluded between such artists and your Company require no applications for approvals from broadcast regulatory agencies.

I anticipate being able to advise you in my year-end report respecting firm agreements of the genre described in the paragraphs immediately preceding. I invite interested Canadian and international performing artists, music and record publishing firms with whom I have not yet been in touch to approach your Company for discussions relating to this kind of arrangement.

I wrote on April 13, 1970 to Mr. Pierre Juneau, chairman of the Canadian Radio-Television Commission, as an individual disassociating myself firmly from the publicized opposition of the Canadian Association of Broadcasters to the regulations proposed by the regulatory authority relating to the use of Canadian talent on radio, television and cable in Canada. It is my belief that the CRTC in this connection is acting in accordance with the mandate given to it by parliament "to preserve the cultural, social and economic fabric of Canadian broadcasting."

If there is to be a Canadian identity, I believe broadcasters, who are using air waves in the public domain, have a reciprocal responsibility to the performers in their midst for the benefits accruing to the broadcasters.

Radio broadcasters must not grind out music in the fashion of a juke box any more than television broadcasters must not grind out movies like automated motion picture theatres.

There must be originality, ingenuity and initiative displayed in programming for radio, television and cable in Canada.

The Company's wholly-owned subsidiary is sponsoring, live, various concerts, in the Metro Toronto area, featuring Canadian and international recording artists. These live attractions are contracted for on a percentage of the gross receipts.

The concerts publicize not only the artists but being sponsored by the AM and FM radio stations result in added interest by advertisers in the recordings of the same artists on the radio stations.

This concept is not new in Canada in radio. However, it is being given new stimulus in the Metro Toronto

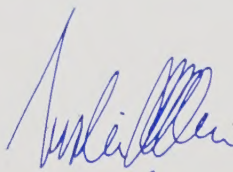
area through the activity of your subsidiary with the first such concert being held Thursday, May 14th, 1970, featuring in person the best-known Canadian television recording artists.

In all English speaking countries, with the exception of the U.S.A., governments have imposed quantitative national minimums on radio and television programming. The result in these countries is that the quality of the programming has been improved. For instance in Great Britain there is at least a 86% (versus CRTC proposal of 60% Canadian content) on television programming. The result of this quantitative quota in the U.K. is that the quality of the material that is presented is second to none. I only wish that radio programming material of the British Broadcasting Corporation, the listing of which alone takes up three large printed volumes, be made available to private Canadian broadcasters. Save for a very small trickle now made available on a non-exclusive basis to private Canadian broadcasters, the Canadian government broadcast service has exclusive rights on this material.

The standard of the material that I am speaking about is typified by the currently seen British Broadcasting Corporation produced television drama THE FORSYTE SAGA (which is being seen now at long last on Canadian television following its exposure in the U.S.A.). It is my hope that comparable radio material not utilized by the Canadian government services will be released by the Canadian government radio services to such independent radio stations as are now controlled and to be acquired by your Company.

Your Company has gone through successfully its organisational period and as one shareholder recently wrote me "The vehicle for acquisitions, financing, and expansion has been created. I now look for it to gather momentum as a growth Company in the Canadian leisure industry with its new approaches."

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Leslie A. Allen', with a stylized, cursive script.

Leslie A. Allen,
President



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Interim Consolidated Unaudited Statement of Profit and Loss for the six months ended February 28, 1970

(Comparative figures for the like period ended in 1969 are not available since the company had no income as it acquired its wholly owned subsidiary, CHIC Radio Limited, subsequent to February 28th, 1969)

Income

Broadcast revenue	\$ 147,831
Non-Broadcast revenue	16,200
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	\$ 164,031

Operating Expenses 110,813

**Earnings before income taxes &
depreciation** \$ 53,218

Provision for Income Taxes

Current	\$ 12,014
Deferred	6,042
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	\$ 18,056

Earnings After Income Taxes \$ 35,162

Retained Earnings, beginning of period ...	\$ 178,277
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	\$ 213,439
Less: Dividend	2,500
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Retained Earnings, end of period	<u><u>\$ 210,939</u></u>



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Interim Consolidated Unaudited Statement of Source and Application of Funds for the six months ended February 28, 1970

(Comparative figures for the like period ended in 1969 are not available since the company had no income as it acquired its wholly owned subsidiary, CHIC Radio Limited, subsequent to February 28th, 1969)

Source of Funds

Net profit for period	\$ 35,162
Deferred income taxes —	
Funds not required	6,042
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	\$ 41,204
Deferred income	122,100
Recovery of Incorporation and Organization expenses	5,141
Long-term debt	20,298
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	\$ 188,743

Application of Funds

Acquisition of fixed assets	\$ 7,660
Increase in deferred accounts receivable	163,320
Payments on Long-term debt	6,122
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	\$ 177,102
Increase in Working Capital	\$ 11,641

Working Capital, beginning of period	142,931
Working Capital, end of period	\$ 154,572



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Capital Stock

Authorized

Class A – Voting, Equity
– 250,000 shares,
no par value

Class B – Non-Voting, Equity
– 4,000,000 shares,
no par value

Class C – Voting, Non-Equity
– 1,040,000 shares,
no par value

Issued and Fully Paid

Class A – Voting, Equity
– 250,000 shares

Class B — Non-Voting, Equity
– 510,000 shares
(260,000 Class B shares escrowed*)

Class C – Voting, Non-Equity
– 1,040,000 shares
(all Class C shares escrowed*)

**260,000 Class B Non-Voting shares and 1,040,000 Class C Voting Non-Equity shares are held in escrow under the terms of an escrow agreement that provides, inter alia, no sale, assignment or transfer in any manner whatsoever except with the written consent of the British Columbia Securities Commission and the Minister of Transport for Canada or other requisite Canadian Government authorities.*

